

Government of the District of Columbia
Department of Insurance, Securities and Banking



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INSURANCE TIPS FOR DIFFERENT LIFE STAGES

Insure U is an ambitious national public education program on insurance issues under the banner of Insure U. It has two objectives: to help consumers get smart about insurance as their life stage needs change, and to educate them about ways to avoid being scammed by fake insurance companies. Insure U's curriculum, available at www.insureUonline.org, includes a basic introduction to the four major types of insurance – auto, home, life and health – as well as special considerations for young singles, young families, established families, and empty nesters and seniors. Below are some tips for consumers at various life stages and what they should consider for their insurance needs.

TIPS FOR YOUNG SINGLES

When considering their insurance needs, Young Singles should:

- **Auto:** Be aware that in most states, the law requires drivers to maintain auto liability insurance to cover losses that are caused by their negligence, and sometimes they are required to carry personal injury protection coverage. To avoid penalty, they should pay their premiums on time: don't let coverage lapse to save money in the short-term! If they do, they may be putting themselves at substantial financial risk as well as negatively affecting their insurance history.
- **Health:** Remember that if they have been covered under their parents' health insurance policy while they were in college or by a plan offered through their college, often this coverage ceases when they graduate. Additionally, many companies have employee probation periods before health coverage goes into effect. For these periods of no coverage, young singles should check to see whether they can extend their parents' coverage short-term under COBRA. Some colleges also offer graduates interim coverage. As an alternative, they could talk to an insurance agent about purchasing catastrophic health coverage as a short-term measure.
- **Homeowner's/Renter's:** Realize that in maintaining their own residence, they are liable for things that happen on their premises. For example, young singles might be using their apartments for parties. They should keep in mind that in many states, they could be held legally responsible for the actions of anyone who drinks in their home and then has an accident

in their house or after leaving it. Their homeowner's or renter's policy should protect them against lawsuits due to these types of liability issues.

- **Life:** Be aware that the cost of life insurance is affected by multiple factors that they should understand. Some are not easily in their control, such as pre-existing or chronic health problems like diabetes, heart disease or cancer. But other factors are more behavioral in nature and, therefore, within their power to control, such as:
 - Poor health habits such as smoking and excessive drinking.
 - Their driving record in terms of accidents, Driving While Intoxicated citations, tickets and claims. The better their driving record, the better the rates they'll receive for their life insurance.
 - Engaging in dangerous hobbies, such as skydiving or rock climbing.

TIPS FOR YOUNG FAMILIES

When reviewing their insurance needs, Young Families should:

- **Auto:** Take into account the fact that at this stage of their lives, they begin to interact with other parents, perhaps driving their children in their car while carpooling. To protect themselves, young families might want to consider increasing their liability insurance in case of an accident.
- **Health:** Review the coverage options available to them, when expecting a child and find out exactly how their health care plan handles these costs. They should remember to consider the costs of prenatal vitamins, prenatal and neo-natal screenings and tests, emergency procedures, delivery (C-section and traditional) and pediatric care.
- **Homeowner's/Renter's:** Inform their insurance company if they install backyard items for their kids, such as a swing set, trampoline or swimming pool etc. These items may require the young families to increase their liability coverage through an umbrella policy that protects them in the event that someone is injured while on their property.
- **Life:** Consider covering both spouses – even if one stays at home and is not employed. In the event of the stay-at-home parent's death, the surviving spouse will need to shoulder all the responsibilities of the household and pay for child care.

TIPS FOR ESTABLISHED FAMILIES

When reviewing their insurance, Established Families should:

- **Auto:** Be prepared to pay higher auto insurance rates when adding their teenage children to their policy. It's a good time to evaluate different auto insurance companies and compare costs, as firms differ in their policies for young drivers.
- **Health:** Know their rights and entitlements under COBRA – the Consolidated Omnibus Budget Reconciliation Act. If they lose or change their jobs or decide to start their own business, they should be sure to familiarize themselves with COBRA so that they're clear how their family will be covered when their situation changes.

- **Homeowner's/Renter's:** As they acquire more valuables – jewelry, family heirlooms, antiques, art – they might want to consider purchasing an additional “floater” or “rider” to their policy, as these special items are subject to coverage limitations in basic homeowner's or renter's policies.
- **Life:** Consider the future costs of their child's college education when determining how much life insurance they need at this life stage, and remember that permanent life insurance can help to complete a college savings program that is not fully funded. Another option they may want to consider is purchasing a combination of term life insurance and whole life insurance.

TIPS FOR EMPTY NESTERS/SENIORS

When reviewing their insurance policies, Empty Nesters/Seniors should:

- **Auto:** Consider taking a senior driving refresher course, such as AARP's 55Alive or a program run by the National Institute of Highway Safety or the AAA. Participation in these programs should help them qualify for a discount.
- **Health:** Carefully evaluate whether long-term care insurance makes sense for them. Before purchasing long-term care insurance, they should do a thorough analysis of their financial situation to be sure that they can continue to afford the premiums for an extended period of years – through their old age until death – and figure out whether they have significant savings or other financial assets they want to protect. Many people find they cannot afford the premiums as they get older and get closer to the point when they are most likely to need the coverage. In addition, empty nesters/seniors should make sure they know what triggers will result in benefit payments, as well as the likelihood and potential size of premium increases.
- **Homeowner's/Renter's:** If they've just paid off their mortgage – and up until now their homeowner's insurance has been paid through their mortgage company – be sure to notify the insurance company to send the premium bills directly to their home address, and remember to pay the premiums on time so that their policy does not lapse.
- **Life:** Review their policy to determine whether they can decrease coverage at this stage of their life. Consider these factors:
 - Is their spouse alive?
 - Is their home paid off?
 - What other financial assets do they have in addition to life insurance?
 - Are their children now financially independent?
 - Do they have high current debts or anticipate estate taxes that would be a struggle for their survivors to pay off after you die?

The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates all financial-service businesses in the District of Columbia. DISB has two overall missions: to provide fair, efficient and fast regulatory supervision of financial-service activities for the protection of the people of the District of Columbia; and to create conditions that will attract and retain national and international insurance, securities, banking and other financial-services businesses to the District. For more information, visit DISB on the Web at www.disb.dc.gov. To find out more about insurance products, call DISB at (202) 727-8000.

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